

ORDER NO. 3824

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Global Expedited Package Services 3 (MC2010-28)
Negotiated Service Agreement

Docket No. CP2016-223

ORDER APPROVING MODIFICATION TO
GLOBAL EXPEDITED PACKAGE SERVICES 3
NEGOTIATED SERVICE AGREEMENT

(Issued March 23, 2017)

I. INTRODUCTION

The Postal Service seeks to modify a Global Expedited Package Services 3 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of the United States Postal Service of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement, March 13, 2017 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 3401, the Commission approved the Global Expedited Package Services 3 negotiated service agreement (Existing Agreement).² On March 13, 2017, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On March 14, 2017, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service will notify the mailer of the effective date of the Agreement within 30 days after receiving approval of the Agreement. Notice, Attachment 1 at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice at 1. The Postal Service asserts that the Modification will not impair the ability of the contract to comply with 39 U.S.C. § 3633. See *id.* Attachment 2.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Modification, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.* The Public Representative also notes that the Commission will have an opportunity to review the financial results of the Agreement, as a modified, in its Annual Compliance Determination. *Id.*

² Order Approving Additional Global Expedited Package Services 3 Negotiated Service Agreement, June 30, 2016 (Order No. 3401).

³ See Docket No. CP2016-223, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, March 14, 2017.

⁴ Public Representative Comments on Postal Service Notice of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement, March 22, 2017 (PR Comments). The Public Representative also filed a motion for late acceptance of his comments. Motion of the Public Representative for Late Acceptance of Comments, March 22, 2017 (Motion). The Motion is granted.

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Modification revises Article 9, paragraph 2 and replaces Annex 1. Modification at 1. Annex 1 of the Existing Agreement specifies contract prices for Priority Mail Express International and Priority Mail International mailpieces presorted and tendered at International Service Centers (ISCs).⁵ As modified, Annex 1 specifies additional contract prices for unsorted Priority Mail Express International and Priority Mail International mailpieces tendered at both ISCs and within specific 3-Digit ZIP Code prefixes. Notice, Attachment 1.

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the Modification should allow the Global Expedited Package Services 3 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Modification is unlikely to prevent competitive

⁵ Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, June 20, 2016, Attachment 1, Annex 1.

products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Expedited Package Services 3 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's ACD to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service will notify the mailer of the effective date of the Modification within 30 days after receiving approval of the Agreement. Notice, Attachment 1 at 1. The Postal Service shall promptly notify the Commission of the Modification's effective date.

If the Existing Agreement, as modified, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as modified.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Global Expedited Package Services 3 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission of the effective date of the Modification.

3. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary